

## Message Text

CONFIDENTIAL

PAGE 01 STATE 202608  
ORIGIN ARA-14

INFO OCT-01 ISO-00 SAB-02 L-03 INR-07 SS-15 SP-02  
EB-08 PM-05 SSO-00 INRE-00 /057 R

DRAFTED BY ARA-LA/PAN:RCAMAU:JK  
APPROVED BY S/AB:AMBASSADOR BUNKER  
L:HHANSEL  
ARA/PAN:EJNADEAU (DRAFT)

-----042495 250106Z /73

O 242343Z AUG 77 ZFF4  
FM SECSTATE WASHDC  
TO AMEMBASSY PANAMA NIACT IMMEDIATE

C O N F I D E N T I A L STATE 202608

E.O. 11652: GDS

TAGS: PFOR, PN

SUBJECT: TREATY LANGUAGE: ECONOMIC ARRANGEMENTS

1. DELETE ALL BUT THE FIRST SENTENCE OF PARAGRAPH 4(A) OF ARTICLE XIII AND SUBSTITUTE IN ITS PLACE THE FOLLOWING:  
THE RATE OF THIRTY HUNDREDTHS OF A UNITED STATES DOLLAR PER PANAMA CANAL NET TON, OR ITS EQUIVALENCY, WILL BE ADJUSTED TO REFLECT CHANGES IN THE UNITED STATES WHOLESALE PRICE INDEX FOR TOTAL MANUFACTURED GOODS DURING BIENNIAL PERIODS, THE FIRST PERIOD BEGINNING THREE YEARS AFTER ENTRY INTO FORCE OF THIS TREATY. ADJUSTMENT SHALL TAKE PLACE AT THE END OF EACH BIENNIAL PERIOD. ANOTHER METHOD OF ADJUSTMENT MAY BE APPLIED BY AGREEMENT OF THE TWO GOVERNMENTS.

2. WE DO NOT WISH TO ACCEPT ADDITIONAL SENTENCE SUGGESTED BY PANAMANIAN FOR END OF ARTICLE 4(C), BUT WOULD BE WILLING TO MEET PANAMANIAN PREOCCUPATIONS IN AGREED MINUTE  
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SUGGESTED BELOW:  
IT IS UNDERSTOOD THAT THE PANAMA CANAL COMMISSION, IN ESTABLISHING ITS ANNUAL BUDGET, WILL, AS FEASIBLE AND CONSISTENT WITH ITS RESPONSIBILITIES TO MANAGE, OPERATE, AND MAINTAIN THE CANAL, TAKE INTO ACCOUNT THE AMOUNT PAYABLE UNDER SUBPARAGRAPH 4(C) OF ARTICLE XIII. IN

DETERMINING UNDER SUBPARAGRAPH 4(C) THE SURPLUS, IF ANY, OF REVENUES OVER EXPENDITURES FOR ANY YEAR, THE EXPENDITURES MADE IN THE YEAR SHALL INCLUDE ANY OBLIGATIONS INCURRED IN PREVIOUS YEARS AND REMAINING UNPAID.

3. YOU SHOULD INFORM PANAMANIAN THAT WE ALSO PLAN TO FURNISH THEM A LETTER SETTING FORTH AN UNDERSTANDING OF CERTAIN TECHNICAL ASPECTS OF ARTICLE XIII. SUBSTANCE OF LETTER WOULD BE AS FOLLOWS:

WITH REFERENCE TO SUBPARAGRAPH 4(A) OF ARTICLE XIII, THE WHOLESALE PRICE INDEX FOR TOTAL MANUFACTURED GOODS OF THE UNITED STATES IS UNDERSTOOD TO REFER TO THE SEASONALLY ADJUSTED FIGURE FOR TOTAL MANUFACTURED GOODS FOUND IN TABLE 3, "WHOLESALE PRICE INDEXES FOR SELECTED GROUPINGS, UNADJUSTED AND SEASONALLY ADJUSTED," OF THE MONTHLY REPORT OF THE DEPARTMENT OF LABOR, "WHOLESALE PRICES AND PRICE INDEXES." THE NEW RATE SHALL BE DETERMINED BY MULTIPLYING THE CURRENTLY APPLICABLE RATE BY A FRACTION THE NUMERATOR OF WHICH IS THE INDEX NUMBER FOR THE MONTH IN WHICH THE BIENNIAL PERIOD EXPIRES, AND THE DENOMINATOR OF WHICH IS THE INDEX NUMBER FOR THE SAME MONTH TWO YEARS EARLIER. CHRISTOPHER

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## Message Attributes

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**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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